

Request for Information (RFI)
Indiana Board for Depositories
Public Funds Safekeeping Services

Version: 1.1
Date: 5/20/2010

Contents

Introduction and Purpose of the RFI 3

Background of the Indiana Board for Depositories 3

Recent Developments and the Consideration of Services Contemplated by this RFI..... 3

Description of what is requested 3

RFI Procedure 4

Confidentiality 4

Contacts..... 5

Timeframe 5

Introduction and Purpose of the RFI

Through this RFI the Indiana Board for Depositories (IBFD) requests information regarding your company and your products/services as well as the best practices related to the safekeeping of public funds. The information gathered will be used to prepare a formal Request for Proposal for future distribution.

Background of the Indiana Board for Depositories

The Indiana Board for Depositories was established in 1937 as a body corporate and politic of the State of Indiana by IC 5-13-12 in response to bank failures during the Great Depression. The IBFD is charged with insuring the safety of Indiana public funds as defined by IC 5-13-4-20 invested in deposit accounts in approved depositories. Public funds are currently protected by a \$300M fund called the Public Deposit Insurance Fund (PDIF) which can be used to replace covered funds lost due to a bank failure. This fund balance was accumulated through assessments paid by depositories on public funds held until the mid 1980's. Until the early 2000's, the fund balance continued to build through interest on investments. Currently, earnings over and above expenses are transferred to the pension relief fund. There have been 3 bank failures in the last 20 years that resulted in a draw on the fund.

More information can be found on www.in.gov/tos/deposit.

Recent Developments and the Consideration of Services Contemplated by this RFI

In the 2010 legislative session, Indiana passed HEA 1336 to allow the IBFD to be more strategic in fulfilling its mission. Rather than uniform application of a limited number of actions across all depositories holding public funds, HEA 1336 allows the IBFD to consider a variety of factors for specific depositories and depositories in general in establishing a reserve for losses maintained by the PDIF. Furthermore, HEA 1336 allows greater flexibility in structuring a system of collateralization to secure public funds should the IBFD deem that the proper course of action. Depositories may be exempt from any future assessments if they maintain collateral at 100% of public funds held for a period of 1 year prior to any fees being assessed. The IBFD will be considering the development and implementation of such a system in the coming months.

Description of what is requested

In the event the IBFD decides to pursue a system of collateralization, safekeeping services for funds held in deposit accounts in up to 200 commercial banks, savings banks and credit unions could be required. There are approximately \$12 billion in public funds held by these institutions. . All collateral would be pledged to the IBFD on behalf of the local and state boards of finance. Those public funds that could be subject to collateral requirements are non-FDIC insured public funds held in the approved depository.

Under IC 5-13-13-7, the IBFD will determine the amount and type of collateral which may include but not be limited to United States Treasury securities, federal agency securities, and an irrevocable letter of credit issued by a Federal Home Loan Bank if: (a) the federal home loan bank issuing the irrevocable letter of credit maintains a rating of at least the third highest level from at least one of the nationally recognized rating agencies; and (b) the irrevocable letter of credit provides that the IBFD may draw on the letter when necessary to satisfy losses to the PDIF under state law.

It is anticipated that periodic mark-to-market, adjustment (delivery in as well as release of collateral), and reporting services by depository will be required in maintaining the collateralization levels as determined by the system set forth by the IBFD.

The IBFD is interested in your company's qualifications and interest in providing these services. Because the IBFD is in the planning stages for this effort, it is interested in learning from potential respondents the elements of a best practices system as well as information the respondent would need in order to prepare a comprehensive and competitive proposal for consideration in the future.

As a result, the staff of the IBFD will be conducting an information session to facilitate this exchange. This session will be held June 3, 2010 at 1 North Capitol Ave, Indianapolis, IN 46204 in the first floor conference room.

RFI Procedure

In no more than 25 pages please provide the following information:

1. Please describe your companies experience in safekeeping of state and local government funds.

Specifically,

- How long have you been providing safekeeping services?
- How many and what type of governmental agencies do you work with?
- What is the size of the funds you are charged with safekeeping?

2. Please provide a general pricing structure for the services you can provide including"

- Custodial
- Transactions (securities and cash settlements)
- Mark-to-market
- Other

3. Company Contact Information

The answers to this RFI will be evaluated by the staff, the Chairman, and the Secretary/Investment manager of the IBFD. The responses will also be shared with board members of the IBFD. The IBFD reserves the right to add, subtract and change requirements prior to the issuance of a formal request for proposal. The IBFD may, at its sole discretion, determine competent bidders or responders based on information subsequently provided.

Send your written response in word, PDF, or other commonly used format by email to phastings@tos.in.gov.

Confidentiality

All information included in this RFI is **public information**. Information provided in response to the RFI to the Indiana Board for Depositories (IBFD) may be subject to open records requests.

Contacts

For questions regarding this RFI, you are welcome to contact:

Patrick Hastings

Executive Director

(317) 232-5257

phastings@tos.in.gov

Timeframe

This is the timeframe for the RFI and an eventual coming project

05/20/2010 – RFI distributed and posted to website

06/03/2010 – Information Session

06/17/2010 – Due date for final responses